ECOLOCLEAN INDUSTRIES INC
Form 10KSB
April 27, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 2004
Commission File Number 000-33481

ECOLOCLEAN INDUSTRIES, INC.
(Name of small business issuer in its charter)

Nevada	65-1060612
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)

2242 South Hwy #83, Crystal City, TX 78839
(Address of principal executive office)

(830) 374-9100
(Issuer's Telephone Number)

Securities Registered Pursuant of Section 12(b) of the Act: None

Securities Registered Pursuant of Section 12(g) of the Act:
Common Stock, $0.001 Par Value

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment of this Form 10-KSB. [ ]

The issuer had operating revenues of $921,810 for the year ended December 31, 2004.

This report contains a total of _ pages. The Exhibit Index appears on page __.

As of December 31, 2004, there were 37,900,664 shares of the issuer's common stock outstanding. The aggregate market value of the 20,282,964 shares of the issuer's voting stock held by non-affiliates was $6,591,963 based on the low bid price on that date as reported by the NASD OTC Electronic Bulletin Board. The sum excludes the shares held by officers, directors, and stockholders whose ownership exceeded 10% of the outstanding shares at December 31, 2004, in that such persons may be deemed affiliates of the Company. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Ecoloclean Industries, Inc.
FORM 10-KSB
December 31, 2004

PART I

ITEM 1. Description of Business.

(a) Overview

Ecoloclean Industries, Inc. formerly known as SailTech International, Inc. (the "Company") was incorporated on September 16, 1998 under the laws of the State of Nevada as Argonaut Resources Ltd. On December 15, 2000, the Company changed its name to Sailtech International Inc. to reflect its business objectives of becoming an aluminum yacht manufacturer. Sailtech was a development stage enterprise which had just initiated operations as a manufacturer of a line of aluminum yachts and work vessels using a proprietary software technology which aided in the design and construction of aluminum boats. We had four yacht manufacturing contracts, none of which were completed. We conducted our business through two wholly owned subsidiary corporations, organized in Florida and British Columbia, Canada.

On December 31, 2002, Sailtech ceased operations of its limited yacht manufacturing business. We disposed of our subsidiary companies in British Columbia, Canada and Florida.

On January 10, 2003, we acquired all of the issued and outstanding capital stock of Ecoloclean, Inc., a Texas corporation. Ecoloclean's principal business operations are are conducted through its subsidiaries, World Environmental Technologies, Inc. ("WET"), a Louisiana corporation, Ecoloclean of Texas, Inc., a Texas corporation and Reliant Drilling Systems, Inc., a Louisiana corporation.

On December 15, 2003, we filed a certificate of amendment to our articles of incorporation changing our corporate name to Ecoloclean Industries, Inc. We also (1) increased our authorized common stock capital from 50,000,000 shares, par value, $0.001 per share to 100,000,000 shares, par value $0.0001 per share and (2) increased our authorized preferred shares from 1,000,000 shares, par value $0.01 per share to 10,000,000, par value $0.001 per share.

We operate five corporations. Ecoloclean Industries, Inc. owns two wholly owned subsidiaries: (1) Ecoloclean, Inc., a Texas corporation and (2) Reliant Drilling Systems, Inc., a Louisiana corporation. Ecoloclean, Inc. owns two wholly owned subsidiaries, (1) World Environmental Technologies, Inc., a Louisiana corporation and (2) Ecoloclean of Texas, Inc., a Texas corporation.

(b) Historical Background of Waste Water

The United States faces growing need for quality water supplies. Population and industrial growth demands clean water.

Until recent times, the water supply was considered to be limitless. Major water users withdrew their water from natural sources such as wells, aquifers, rivers and lakes. Public utilities and municipal waste water (sewer) authorities treated their used water and discharged it into rivers and lakes. Mines, paper mills, refineries, and chemical plants also discharged their waste water, in many cases, directly into the same rivers and lakes from which water would be drawn for human use.

Soon after World War II, the effect of this unregulated discharge and limited treatment of waste water on land and water sources was recognized as unacceptable by public interest groups and governmental authorities. Efforts were begun to remediate polluted sites. Laws were enacted to prevent unregulated discharge of waste waters into the environment. These remediation and prevention efforts have improved water quality throughout the United States.

We believe that water quality standards will become stricter. Large water users, at great expense, have installed elaborate treatment systems in order to comply with governmental water quality laws. However, even after the implementation of water treatment laws, many treated waters are still being discharged without meeting all of the governmental standards. In many states, water users who discharge waters that do not comply with minimum discharge standards are being assessed large monetary surcharges. Small users, having to pay high monthly surcharges without the capital or room to install or upgrade existing water treatment systems, are faced with the possibility of closing operations facilities.

Processes for treating waste water are extensive. The chemistry and engineering for treating wastewater is well developed. Many different procedures and processes are in use for treating different types of contamination and pollution. Equipment is manufactured by numerous companies to process waste water streams from as little as a few gallons a day to millions of gallons an hour. There are technologies and equipment designed to remove impurities and contaminates ranging form ordinary ground water bacteria and particles to heavy metal ions. Water treatment plants can be as small as the household water conditioners to municipal treatment systems covering hundreds of acres.

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THE ELECTROCOAGULATION SYSTEM

Most waste water contaminants are held in solution by electrical charges. Bacteria, algae, oils, clays, carbon black, silica, phosphate, nickel, lead, chromates and other ions are examples charged particle contaminants. Waste water contaminants must be removed from the water. The neutralization of the electrical charges and subsequent precipitation of these contaminants can be achieved by chemical or electrochemical alteration. Most commercial water treatment systems use chemical additives. Our electro coagulation process is a non-chemical additive electrochemical system.

In today's environment, adding chemicals to contaminated waste water is becoming less acceptable due to increasingly stringent regulations. Solid residues (sludges) are being classified as hazardous materials and the required treatment levels are more difficult and expensive to achieve. In the future, we believe that there will be a significant increase in the use of nonchemical dependent systems such as the EC System. Different chemicals are required for various contaminants. Contaminant concentrations are critical and must be constantly monitored and balanced. These additives do not remain with the purified water (exception: chlorine) but combine with and must be disposed of with the "sludge" that is removed from the waste water stream. Under current regulations many of these sludges are considered hazardous and must be handled accordingly. For every pound of chemical additive an additional pound of sludge must be disposed. This cost of disposal must be added to the cost of chemicals.

Electrochemical water treatment methods have been used for many years. High voltages are used to produce an electromagnetic field which disrupts the electrochemical properties of the charged contaminant particles. This allows the contaminants to precipitate or fall out of the waste water. Until recent times, these electrochemical water treatment systems showed good contaminate removal compared with the chemical additive precipitation methods, however, high capital and operational costs coupled with lower flow rates have restricted widespread commercial use.

The electro coagulation "EC" process does not use chemical additives. We believe that our EC process, with lower operating costs, higher flow rates and a reduction of sludge disposal costs will move our EC process to the forefront of water treatment technologies.

The electro coagulation system uses equipment and methods that result from revisions of old technologies and principles of electrochemistry and physics made possible by our computerized microprocessor control panel. The "EC" unit is capable of treating liquid solutions containing a wide variety of contaminants, including heavy metals, oil and grease, suspended and dissolved solids, most salts as well as bacteria and algae, without the use of chemicals.

The "EC" unit places an electrical charge in the waste fluid which destabilizes suspended material electrochemically and causes the coagulation of the dissolved and suspended contaminants. This coagulation or flocculation is similar to the precipitation stimulated by chemical additives, but the altered contaminant particles tend to be larger (100 microns vs. 25 to 50 microns) and more stable. This flocculated contaminants are removed from the waste Stream by conventional equipment.

OVERVIEW OF WATER TREATMENT USING ELECTROCOAGULATION

When the term "we" is used, it means Ecoloclean Industries, Inc. by and through its subsidiaries, Ecoloclean, Inc., World Environmental Technologies, Inc., Reliant Drilling Systems, Inc. and Ecoloclean of Texas, Inc.

We have designed and manufactured three portable EC Units which are mounted within or on enclosed trailers. The waste water is pumped into the EC unit, electrochemically processed and discharged on-site.

The water flows through a series of engineered electrodes within a cell while a controlled electric current is applied to the waste water. The electrical current energizes the solution creating a magnetic field within the cell. Our system is designed to optimize over twenty variables in order to effectively transfer electrical energy to the continuously flowing contaminated waste water. Water contaminated mixtures created by the electro coagulation process, separate into an organic molecule floating layer known as flocculent, a mineral sediment and clean water. This separation occurs within minutes of treatment and conventional equipment may be used to extract the clean water. The Electro coagulation process has successfully treated animal and human waste water removing chemical and biological contaminants. Tests confirm the destruction of coli form bacteria, flagellates, helminthes, eggs, infective parasite larvae and enteric viruses.

Our EC process utilizes proprietary and patented technologies applying electrochemical energies to the waste water stream. Contaminant laden water moves through an electric field where the treatment is accomplished by:

- Ionization
- Electrolysis
- Free radical formation
- Electromagnetic fields

System Capabilities:

- Removes heavy metals as oxides which will pass Toxicity Characteristics Leaching Procedures (TCLP)
- Removes suspended and colloidal solids
- Breaks oil emulsions in water
- Removes fats, oils and grease in water
- Removes complex organic materials
- Destroys and removes bacteria, viruses and cysts
- Processes multiple contaminants

Key Applications:

- Ground water cleanup
- Process rinse and wash water
- Potable water

- Sewage treatment
- Cooling towers
- Radioactive isotope removal
- Pretreatment for reverse osmosis, ultra-filtration, nano-filtration, and photocatlytics
- Water reuse resulting in zero discharge
- Metal recovery
- Influent quality water control
- Industrial waste water

Benefits:

- Capital cost significantly less than alternative technologies
- Operating cost significantly less than alternative technologies
- Low power requirements
- Generally no chemical additions
- Metal oxide formation passing TCLP
- Low maintenance
- Minimal operator attention
- Handles a wide variation in the waste stream contaminants
- Consistent and reliable results
- Sludge minimization
- Treats multiple contaminants

Operations and Services

Industrial and commercial businesses produce various types of wastewater (including hydrocarbon contaminated water from oil field operations, that must be disposed of as required by federal, state and local regulations. Similarly, oil and gas exploration and production companies produce liquid waste from drilling and other operations that must be disposed of complying with federal and state regulations. We propose to process the liquid waste and remove contaminants and dispose of the treated liquid waste as required by applicable regulations.

Oilfield Waste

Oilfield waste consists primarily of petroleum-based and water-based drilling fluids (which contain oil, grease, chlorides and heavy metals), as well as cuttings, saltwater, work over and completion fluids, production pit sludges and soil containing these materials. Under Louisiana and Texas state regulations, if oilfield waste cannot be processed for discharge or disposed of at the well where it is generated, it must be transported to a licensed oilfield waste processing or disposal facility.

Competitive Conditions

Competition is intense within oilfield waste water processing industry. Competition will be based primarily on proximity to collection operations, collection and processing fees charged and quality of service. With respect to certain waste streams, such as oilfield waste, we will compete with the generators of these waste streams, who continually evaluate the decision whether to use internal disposal methods or to utilize a liquid waste management company

such as us. We will compete with numerous companies, both large and small, which are able to provide one or more of the environmental services offered by us. Many of these companies will have greater financial, human and other resources.

However, we believe that the type of waste management, treatment, processing and remediation services which we will provide will give us a competitive advantage with respect to certain of our more specialized competitors. We believe that our treatment processes will offer cost saving alternatives to the more traditional remediation and disposal methods offered by our competitors.

We believe that there are certain barriers to entry in the liquid waste industry. These barriers include the need for specialty machinery and facilities; licenses, permits and trained personnel necessary to operate these facilities.

Our Specialized Equipment

We have manufactured three portable EC Units. These are portable units which are constructed in 28-foot enclosed trailers.

Employees

Ecoloclean Industries, Inc. has two part-time employee officers, Royis and Michael Ward. During 2004, Ecoloclean of Texas, Inc. had nine employees, World Environmental Technologies had eleven employees, and Reliant Drilling Systems, Inc. had fifteen employees. No employee was subject to a collective bargaining agreement.

Governmental Permits and Licenses

World Environmental Technologies, Inc. ("WET") has obtained a Louisiana statewide Water Discharge Permit for its Electro Coagulation ("EC") treatment system. This permit enables us to treat waste water in Louisiana such as, bilge water, wash water from oil field equipment, industrial waste water, storm water, sanitary water and wash down water.

Waste management companies are subject to extensive, evolving and increasingly stringent federal, state and local environmental laws and regulations. Such federal, state and local environmental laws and regulations govern will our activities regarding the treatment, storage, processing, disposal and transportation of wastes. We will be required to obtain and maintain permits, licenses and/or approvals in order to conduct our proposed waste treatment business activities. Failure to obtain and maintain permits or approvals would have a material adverse effect on us, our operations and financial condition. The permits and licenses have a term ranging from five (5) to ten (10) years and, provided that the Company maintains a reasonable level of compliance, renew with minimal effort and cost. Historically, there have been no compelling challenges to the permit and license renewals. In the future, if we expand our operations, we may be required to obtain additional approvals, licenses or permits, the there can be no assurance that we will be able to do so. Such permits and licenses, however, represent a potential barrier to entry for possible competitors.

General License Agreement

Ecoloclean, Inc. acquired a General License Agreement by assignment from World Environmental Technologies, Inc. on September 12, 2002. The license grants an industry exclusive perpetual worldwide right and license under a U.S. patent to manufacture, use, market, sell, lease or otherwise dispose of product units based on, or relating to the invention contained in U.S. Patent No. 6,238,546, issued to Louis A. Kneiper, Gary A. Tipton and Daniel G. Noyes on May 29, 2001. The product units are the Electro coagulation units. The license is industry specific and applies only to the petroleum exploration, petroleum chemical, transportation and refining industries. Ecoloclean, the licensee, is excluded from marketing, selling, leasing or otherwise disposing of product units to the paper industry, paint pigment industry and to all industries in Mexico and the

Orient. Ecoloclean is obligated to pay royalties to the patent owner on an event basis. For product units of 100 gallons-per-minute (gpm), or less which are manufactured by the licensee, Ecoloclean is obligated to pay $3,000 each. For product units of capacities exceeding 100 gpm, Ecoloclean must pay $30 multiplied by the gpm design capacity. Additionally, for the use of the technology, Ecoloclean must pay a monthly royalty of 2% of gross income generated by product units. The General License Agreement and Assignment to the General License Agreement are attached to this Current Report as Exhibits 3.1 and 3.2, respectively.

Insurance

We believe we maintain insurance coverage adequate for our needs and which is similar to, or greater than, the coverage maintained by other companies of our size in the industry. There can be no assurances, however, that liabilities which may be incurred by us will be covered by our insurance or that the dollar amount of such liabilities which are covered will not exceed our policy limits. We are required by EPA regulations to carry environmental impairment liability insurance providing coverage for damages on a claims-made basis in amounts of at least $1 million per occurrence and $2 million per year in the aggregate.

Regulation

General Our proposed business operations will be affected both directly and indirectly by governmental regulations, including various federal, state and local pollution control and health and safety programs that are administered and enforced by regulatory agencies. These programs are applicable or potentially applicable to one or more of our existing operations.

Federal Regulation

The primary U.S. federal statutes affecting our business are summarized below: The Clean Water Act. Our proposed activities will be subject to the requirements of the Clean Water Act and comparable state statutes and federal and state enforcement of these regulations. The Clean Water Act regulates the discharge of pollutants into waters of the United States. The Clean Water Act establishes a system of standards, permits and enforcement procedures for the discharge of pollutants from industrial and municipal wastewater sources. The law sets treatment standards for industries and wastewater treatment plants and provides federal grants to assist municipalities in complying with the new standards. In addition to requiring permits for industrial and municipal discharges directly into the waters of the United States, the Clean Water Act also requires pretreatment of industrial wastewater before discharge into municipal systems.

The Clean Water Act gives the Environmental Protection Agency (EPA) the authority to set pretreatment limits for direct and indirect industrial discharges. In 2001, the EPA adopted new technology-based effluent limitations guidelines for waste treatment facilities that treat or recover hazardous or nonhazardous industrial waste or wastewater received from off-site and then discharge pollutants into U.S. waters or publicly operated treatment works. Although the guidelines are based on particular technologies, the new guidelines do not require a facility to use these technologies. Individual facilities may meet the requirements using whatever types of technologies and process changes they choose.

The Clean Water Act also prohibits certain discharges of oil or hazardous substances and authorizes the federal government to remove or arrange for removal of such oil or hazardous substances. In addition, the Clean Water Act requires the adoption of the National Contingency Plan to cover removal of such materials. Under the Clean Water Act, the owner or operator of a vessel or facility may be liable for penalties and costs incurred by the federal government in responding to a discharge of oil or hazardous substances.

The Clean Water Act also has a significant impact on the operations of the oilfield waste customers. EPA Region 6, which includes our proposed treatment market, continues to issue new and amended National Pollution Discharge Elimination System general permits further limiting or restricting substantially all discharges of produced water from the Oil and Gas Extraction Point Source Category into waters of the United States. The combined effect of all of these permits closely approaches a "zero discharge" standard affecting all waters except those of the Outer Continental Shelf.

Resource Conservation Recovery Act (RCRA). RCRA is the principal federal statute governing hazardous and solid waste generation, treatment, storage and disposal. RCRA and state hazardous waste management programs govern the handling and disposal of hazardous waste. The EPA has issued regulations pursuant to RCRA,

and states have promulgated regulations under comparable state statutes, that govern hazardous waste generators, transporters and owners and operators of hazardous waste treatment, storage or disposal facilities. These regulations impose detailed operating, inspection, training and emergency preparedness and response standards and requirements for closure, financial responsibility, manifesting of wastes, record-keeping and reporting, as well as treatment standards for any hazardous wastes intended for land disposal. Facilities which treat and dispose of oilfield waste are exempt from classification as a RCRA-regulated waste. At various times in the past, proposals have been made to rescind the exemption that excludes oilfield waste from regulation under RCRA. The repeal or modification of this exemption by administrative, legislative or judicial process would require us to change our method of doing business and could have a material adverse effect on our business, results of operations and financial condition. There is no assurance that we would be able to adapt our operations or that we would have the capital resources available to do so. RCRA may indirectly affect our proposed operations by restricting the disposal of certain liquid wastes and sludges in landfills. This restriction may increase demand for waste treatment services.

CERCLA. The Comprehensive Environmental Response, Compensation and Liability Act, as amended in 1986 ("CERCLA"), provides for immediate response and removal actions coordinated by the EPA for releases of hazardous substances into the environment and authorizes the government, or private parties, to respond to the release or threatened release of hazardous substances. The government may also order persons responsible for the release to perform any necessary cleanup. Liability extends to the present owners and operators of waste disposal facilities from which a release occurs, persons who owned or operated such facilities at the time the hazardous substances were released, persons who arranged for disposal or treatment of hazardous substances and waste transporters who selected such facilities for treatment or disposal of hazardous substances. CERCLA has been interpreted to create strict, joint and several liability for the cost of removal and remediation, other necessary response costs and damages for injury to natural resources. If our operations or facilities become responsible for the release or improper disposal of hazardous substances, we could incur CERCLA liability. Presently, we have no intention to treat hazardous wastes.

The Clean Air Act. The Clean Air Act provides for federal, state and local regulation of emissions of air pollutants into the atmosphere. Any modification or construction of a facility with regulated air emissions must be a permitted or authorized activity. The Clean Air Act provides for administrative and judicial enforcement against owners and operators of regulated facilities, including substantial penalties. In 1990, the Clean Air Act was reauthorized and amended, substantially increasing the scope and stringency of the Clean Air Act's regulations. Compliance with the Clean Air Act is not expected to have a material adverse effect on our proposed business operations.

State and Local Regulations

Our proposed waste water processing operations will be subject to direct regulation by a variety of state and local authorities. We will be required to obtain processing, wastewater discharge and air quality permits from state and local authorities to operate facilities and to comply with applicable regulations concerning, among other things, the generation and discharge of odors and wastewater.

Order 29-B of the Louisiana Department of Natural Resources contains extensive rules regarding the generation, processing, storage, transportation and disposal of oilfield waste. Under Order 29-B, on-site disposal of oilfield waste is limited and subject to stringent guidelines. If these guidelines cannot be met, oilfield waste must be transported and disposed of off-site in accordance with the provisions of Order 29-B. Moreover, under Order 29-B, most, if not all, active waste pits (a typical on-site disposal method used by inland generators of oilfield waste) must be closed or modified to meet regulatory standards; however, full enforcement of this portion of Order 29-B has been deferred. A number of amendments to Order 29-B were adopted effective as of November 20, 2001. Compliance with these amendments is not expected to have a material adverse effect on our proposed business operations. The Texas Railroad Commission has also adopted detailed requirements for the management and disposal of oilfield waste. Permits issued by state regulatory agencies are required for each oilfield waste treatment facility operating within Louisiana and Texas. We will have to perform tests before acceptance of any oilfield waste, as well as during and after treatment to ensure compliance with all regulatory requirements.

In the future, other states in which we may operate, have their own laws and regulations that may be more strict than comparable federal laws and regulations governing hazardous and nonhazardous waste disposal, water and air pollution, releases and cleanup of hazardous substances and liabilities for such matters. Our future proposed operations are likely to be subject to many, if not all, of these laws and regulations. In addition, states and localities into which we may expand, by acquisition or otherwise, may now or in the future have regulations with positive or negative effects on us.

Factors Influencing Future Results and Accuracy of Forward-Looking Statements

In the normal course of our business, in an effort to help keep our stockholders and the public informed about our operations, we may from time to time issue or make certain statements, either in writing or orally, that are or contain forward-looking statements, as that term is defined in the U.S. federal securities laws. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, projected or anticipated benefits from acquisitions made by or to be made by us, or projections involving anticipated revenues, earnings or other aspects of operating results. The words "may," "will," "expect," "anticipate," "believe," "estimate," "continue", "plan" and similar expressions are intended to identify forward-looking statements. We caution readers that such statements are not guarantees of future performance or events and are subject to a number of factors that may tend to influence the accuracy of the statements and the projections upon which the statements are based, including but not limited to those discussed below. As noted elsewhere in this report, all phases of our proposed operations are subject to a number of uncertainties, risks and other influences, many of which are outside of our control, and any one of which, or a combination of which, could materially affect the results of our operations and whether forward-looking statements made by us ultimately prove to be accurate.

ITEM 2. Description of Property

Royis Ward, President of Ecoloclean Industries, Inc. is providing executive office space, located in Crystal City, Texas, to our company on a rent-free basis.

Our wholly owned subsidiary, World Environmental Technologies, Inc., owns real property located at 950 Birdsong Rd., LaFayette, Louisiana. This property supports its operations and those of Reliant Drilling Systems, Inc. This property consists of 3950 square foot office and shop building and a 5360 square foot open air covered work space.

Ecoloclean of Texas, Inc., another subsidiary, rents office and storage yard premises located in Beaumont, Texas.

ITEM 3. Legal Proceedings

None.

ITEM 4. Submission of Matters to Vote of Security Holders

During the fourth quarter of 2004, no matters were submitted to a vote of our security holders.

PART II

ITEM 5. Market for Common Equity and Related Stockholder Matters

Common Stock:

Our common stock trades Over-the-Counter (OTC) on the Electronic Bulletin Board under the symbol ECCI. Table 1. sets forth the high and low bid information for the past two years. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. These data provided by NASDAQ.

Table 1.

Bid Information

Fiscal Quarter Ended	High	Low

December 31, 2004	1.04	0.29
September 30, 2004	1.15	0.28
June 30, 2004	1.30	0.55
March 31, 2004	2.35	1.06
December 31, 2003	1.40	0.40
September 30, 2003	0.50	0.20
June 30, 2003	0.32	0.20
March 31, 2003	0.25	0.20

According to our records, the Company had approximately 50 record shareholders of our common stock as of December 31, 2004 holding 37,900,664 common shares. This number of shareholders does not include individual beneficial shareholders whose shares may be held in their brokers' street name.

Dividends and Dividend Policy

There are no restrictions imposed on the Company which limit its ability to declare or pay dividends on its common stock, except as limited by state corporation law. During the year ended December 31, 2004, no cash or stock dividends were declared or paid and none are expected to be paid in the foreseeable future.

Securities Authorized for Issuance under Equity Compensation Plans

The following table summarizes our equity compensation plan information as of December 31, 2004. Information is included for equity compensation plans not approved by our security holders.

Table 1.

Equity Compensation Plan Information

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average Exercise price of outstanding options, warrants, and rights	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
	(a)	(b)	(c)
Equity Compensation Plans approved by security holders	None	None	None
Equity Compensation Plans not approved by security holders	5,000,000 (1)	$ 0.55	4,800,000
Total	5,000,000	$ 0.87	4,800,000

(1) On July 8, 2004, the Company adopted the 2004 Non-Qualified Stock Grant and Option Plan. The Plan was registered with the SEC on Form S-8 on July 23, 2004. The Plan reserved 5,000,000 shares. The Plan is administered by our Board of

Directors. Directors, officers, employees, consultants, attorneys, and others who provide services to our Company are eligible participants. Participants are eligible to be granted warrants, options, common stock as compensation. We issued 200,000 shares for legal services under the Plan during 2004.

ITEM 6. Management's Discussion and Analysis or Plan of Operation

Overview and Plan of Operation

Background

During the quarter ended December 31, 2004, Ecoloclean Industries, Inc. ("ECCI"), had gross operating revenues of $350,072, which were generated by its Louisiana subsidiary, Reliant Drilling Systems, Inc. ("RDS"), and its Texas subsidiary, Ecoloclean Of Texas, Inc. ("ECOT").

Current Operations

A. Industrial Field Services

ECOT has been engaged in providing industrial maintenance services including dredging waste-filled ponds and lagoons and cleaning piping, brew kettles and frac tanks.

Revenues of $132,668 were billed during ECOT's five months of 2004 operations with a resultant net loss of $285,651. Lower than expected sales level, continuing competitive market conditions and insufficient margins combined with the operating loss indicated above ultimately led to management's decision to close ECOT's operations during March 2005.

Shortly thereafter, the Company executed a Letter of Intent to sell the ECOT equipment assets and customer contracts and list. The sale was completed April 18, 2005, with an effective date of April 1, 2005. The sale price was $120,000 payable over a one year period. Book value of the assets sold was approximately $42,000 resulting in a gain on the transaction of $78,000.

B. Drilling Support for Oil Exploration & Production Companies

RDS has specialized in providing drilling support services including solids controls programs to oil and gas production and exploration companies.

RDS had 2004 revenues of $718,025 and an operating loss of $280,091. These operating losses along with continued pricing pressures which caused reduced margins in addition to high overhead costs led to management's decision to also close RDS's operations during February although a number of equipment rentals continued in the first quarter.

Shortly after management's decision, the Company began selling certain of its equipment assets which were utilized by this subsidiary. Most of these assets were sold by the end of the first quarter 2005. Total proceeds were approximately $243,000, which resulted in a loss of $49,000 from these sales. Sales efforts for the remaining equipment to be sold are continuing.

C. Industrial and Exploration Liquid Waste Remediation Services

World Environmental Technologies, Inc. ("WET"), a wholly owned subsidiary of Ecoloclean, Inc., has utilized its Louisiana statewide Water Discharge Permit and its patented Electro Coagulation ("EC") treatment systems to aggressively market it services for oil field and industrial liquid waste remediation. These efforts have resulted in WET acquiring Master Service Agreements from several Refinery Groups and Petroleum Operators, which it is waiting to implement. However, at this time there are no pending contracts or orders.

D. Agricultural Clean Up

Ecoloclean, Inc. ("ECI"), a wholly owned subsidiary of the Company, continues to devote efforts to the Dairy Industries as it pertains to the animal waste created by cows, swine and chickens. Recently, during the first quarter of 2005, ECI formed an alliance with another company in this field. By combining our EC Units technology with that of our new partner, we were successfully able to demonstrate a ninety-nine percent plus (99% +) phosphate removal from dairy waste.

During the second quarter of 2005, we will be performing another demonstration for approximately two hundred (200) dairy farmers, representatives from Texas A&M University, American Dairy Association, Texas Farm Bureau, the EPA and other interested parties.

Based on the test results from the initial demonstration, we expect to be able to offer the dairy industry along with swine and chicken producers a much needed solution to their waste disposal problems.

E. New Development

ECCI has obtained the Worldwide Exclusive Rights for the patented Coale Separator through an agreement with Coale's Environmental Systems, Inc. ("Coale"). As previously announced on June 2, 2004, ECCI entered into a General Revenue Sharing Agreement with Coale. The new license agreement and international marketing rights will allow ECCI the opportunity to market, manufacture, install and commercialize the inventions and to operate and use such process apparatus, machinery and devices to remove contaminants from fuels used in combustion engines using fewer than five (5) gallons of fuel per minute. The exclusive rights are inclusive of two patents currently in place and any future related patents, improved or applications. This acquisition will be developed and marketed under ECCI's WET subsidiary.

The Coale Separator (a.k.a. "Diesel Pure Unit") decreases and substantially eliminates contaminants in diesel fuel. It is designed to operate as a mobile fuel-scrubbing unit that reduces abrasive sediments and corrosive degradation by removing contaminants such as water, oxidation, dirt, sand and sludge. The Coale Separator effectively separates these liquid and solid particles from diesel fuel, thereby allowing only purified fuel to reach combustions engines. This device is easily installed without any modifications to the existing engine.

This process increases horsepower and engine efficiency by burning a cleaner fuel. The Coale Separator is effective for use with diesel fuel, gasoline, kerosene, hydraulic oil transmission fluid and JP8 jet fuel. In addition, it extends filter life resulting in measurable cost savings. Other benefits include a reduction of fuel system problems, broken injector tips, excessive engine wear and power losses, thereby improving overall engine performance. The Company anticipates the potential customer base will include owner/operators of combustion engines, including, but not limited to, offshore/onshore drilling rigs, tugboats and transportation departments of government agencies.

During the first quarter, production, marketing and sales efforts were initiated for our Diesel Pure Unit. In addition, a website has been established explaining the capabilities of the Diesel Pure Unit.

We have place several units with potential end-users for testing periods varying between one week and one month. Initial reports have been favorable. We expect to be in contact with potential distributors in addition to end-users during the second quarter of 2005.

Financial Considerations

Currently, there are insufficient revenues and resources to offset annual operating overhead, which is now projected to be approximately $750,000, taking into consideration management's decision not to offer solids-control and industrial field services after mid-February and mid-March 2005, respectively. Until the Company obtains the amount of working capital required to meet its operating overhead, it will be necessary to continue to call upon the investment community and/or the Company's officers and directors for financial assistance.

During the fourth quarter, the Company's officers provided $155,251 in loans to the Company. All of the funds advanced during the fourth quarter were utilized to offset operating overhead expenses. The officers have not indicated a willingness to continue providing funds during 2005 in amounts, commensurate to the $1,166,439 advanced during 2004. Efforts are ongoing to obtain funding from sources outside of the Company. At this time, the Company has not received any financing commitments although certain initiatives are ongoing.

Going Concern

The Independent auditors' report contains language indicating that the financial statements have been prepared on a going concern basis, which contemplates realization of assets and liquidation of liabilities in the ordinary course of business. The Company has continuously incurred losses from operations and has a significant accumulated deficit. The appropriateness of using the going concern basis is dependent upon the Company's ability to obtain additional financing or equity capital and, ultimately, to achieve profitable operations. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

It is the Company's belief that it will continue to incur losses for at least the next six months, and as a result will require additional funds from debt or equity investments to meet such needs. Without realization of additional capital, it would be unlikely for the Company to continue as going concern. The Company anticipates that its officers will contribute a portion of the funds needed to satisfy the cash needs of the Company for the next six months. However, there can be no assurances to that effect, as the Company has limited revenues and the Company's need for capital may change dramatically if it is successful in acquiring a new business. If the Company cannot obtain needed funds, it may be forced to curtail or cease its activities. To meet these objectives, management's plans are to (i) raise capital by obtaining financing through private placement efforts; (ii) issue common stock for services rendered in lieu of cash payments and (iii) obtain loans from officers to the extent possible.

The Company's future ability to achieve these objectives cannot be determined at this time. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty and should not be regarded as typical for normal operating periods.

Conclusion

Although the Company expended substantial financial resources to establish all three of its field service operations, the expected results were not achieved. Accordingly, as indicated above, two of our field service operations were discontinued during the first quarter of 2005 and their assets have been, or are being, liquidated.

The Company is concentrating its efforts on the marketing and sales of its Coale Separator and liquid waste remediation services along with the development of its Agricultural Clean-Up Program. In addition, the Company is investigating new opportunities related to its area of interest.

As stated herein, all future activities of the Company will be dependent on its ability to obtain additional funding in the near future.

RESULTS OF OPERATIONS

REVENUES: The Company reported revenues of $921,810 for the year ended December 31, 2004 as compared with $329,845 revenues for the year ended December 31, 2003. The increased revenue was due to increased revenues from our solids control subsidiary and our recently activated environmental clean-up subsidiary.

TOTAL COSTS AND EXPENSES: Total costs and expenses increased from $1,124,268 for the year ended December 31, 2003 to $3,660,892 for the year ended December 31, 2004.

OPERATING EXPENSES: Operating expenses increased from $169,917 for the year ended December 31, 2003 to $529,870 for the year ended December 31, 2004. The increase of $378,072 was primarily due to continuation of ramping up our infra-structure/ support activities in anticipation of increased business activities.

SELLING, GENERAL AND ADMINSTRATIVE EXPENSES: Selling, general and administrative expenses increased from $606,610 for the year ended December 31, 2003 to $2,150,043 for the year ended December 31, 2004. The increase of $1,543,433 was

primarily due to increased sales expense including demo and testing costs incurred in our efforts to obtain long-term contacts, increased consulting fees, increased legal fees and additional management and administrative salaries as we seek to expand our customer base. $901,713 of the increase was due to issuances of common stock for consulting fees - ($443,625), legal fees - ($363,500), investor public relations - ($44,000), financing costs - ($15,000) and employee stock bonuses - ($35,588).

NET LOSS FROM OPERATIONS: The pretax loss increased from $(794,423) for the year ended December 31, 2003 to $(2,739,082) for the year ended December 31, 2004, an increased loss of $(1,944,659), an increase of 344.8%. Diluted net loss per common share increased 266.7% to $(0.08). The net loss per share calculation for the year ended December 31, 2004 included an increase in actual and equivalent shares outstanding.

The non-cash component of the increased loss was $901,713 as noted in the above discussion of selling, general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES: Capital expenditures during the year ended December 31, 2004 totaled $571,834 as compared with $331,006 for the year ended December 31, 2003.

The increase of $240,828 consists of capital asset purchases of $480,785 for equipment needed by our solids control and enviro clean-up affiliates, $70,840 for E/C Units and related equipment construction, and $20,209 for office furniture, office equipment, computers and building improvements which total $571,834 less the increase of $331,006 for the year ended December 31, 2003.

Total debt increased from $1,291,606 at December 31, 2003 to $3,267,650 at December 31, 2004. Total debt as of December 31, 2004 and December 31, 2003 expressed as a percentage of total debt and shareholder equity is 268.3% and 223.0% respectively. $1,166,439 of the $1,976,044 increase was due to loans from the officers of the Company.

FORWARD LOOKING STATEMENTS

Under Rule 175, we caution readers regarding forward looking statements found in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by or on our behalf.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK:

The Company does not issue or invest in financial instruments or their derivatives for trading or speculative purposes. The operations of the Company are conducted primarily in the United States, and, are not subject to material foreign currency exchange risk. Although the Company has outstanding debt and related interest expense, market risk of interest rate exposure in the United States is currently not material.

ITEM 7. Financial Statements

Index to Financial Statements

ITEM 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

ITEM 8A. Controls and Procedures.

We maintain disclosure controls and procedures designed to ensure that material information related to our company is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

(a) Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of management, including our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded, as of the date of such evaluation, that the design and operation of such disclosure controls and procedures were effective.

(b) Changes in Internal Control.

Subsequent to the date of such evaluation as described in subparagraph(a)above, there were no changes in our internal controls or other factors that could significantly affect these controls, including any corrective action with regard to significant deficiencies and material weaknesses.

(c) Limitations.

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls or internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any design may not succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitation of a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ITEM 8B. Other Information.

None.

PART III

ITEM 9. Directors, Executive Officers, Promoters, and Control Persons: Compliance With Section 16(a) of the Exchange Act

The following table lists the names, ages, and positions of the executive officers and directors of the Company that served during the year ending December 31, 2004. All officers and directors have been appointed to serve until their successors are elected and qualified. Additional information regarding the business experience, length of time served in each capacity, and other matters relevant to each individual is set forth following the table.

The officers and directors of the Ecoloclean Industries, Inc., Ecoloclean, Inc. and Ecoloclean of Texas, Inc. are as follows:

Name	Age	Position
Royis Ward	71	President, CEO, Director
Michael Ward	49	Secretary/Treasurer, Director

Royis Ward has been the President and Director of Ecoloclean since January 2003. During 2003, until his resignation on October 1, 2003, he served as Secretary/Treasurer and a Director of Tidelands Oil & Gas Corporation, a publicly held company. Mr. Ward had served in the Tideland's offices since October 21, 1998. He has been engaged in the oil and gas industry since graduation from Tyler Junior College, Tyler, Texas in 1952. Initially, he was employed as a production superintendent and landman for Coffield & Guthrie, Inc., a large independent oil and gas operator and thereafter placed in charge of pipeline and drilling operations from 1952-1955. In 1955, he began to develop oil and gas properties for his own account as an independent oil and gas operator throughout the southwest until 1962. At that time, he became President of Omega Petroleum Corporation, Shreveport, Louisiana. Thereafter, he continued as an independent oil and gas operator drilling individual in excess of 50 wells in the South Texas Area. In 1968, he became the President and CEO of Omega Minerals, Inc. and was instrumental in acquiring vast oil and gas properties by drilling, development, and re-acquisitions. In 1985, Tidelands Oil Corporation, a Texas Corporation, was formed for the purpose of drilling and developing oil and gas properties in South Texas.

Michael Ward has bee the Secretary/Treasurer and a Director of Ecoloclean since January 2003. He is also the President, Chief Executive Officer and Director of the Tidelands Oil & Gas Corporation. Michael Ward has served in the Tideland's offices since October 21, 1998. Mr. Ward has more than 25 years of diversified experience as an oil and gas professional. He was educated in business management and administration at Southwest Texas State University and the University of Texas. He has wide experience in the capacity in which he successfully served in operating oil and gas companies in the United States. During the past 20 years, he has been associated with Century Energy Corporation where his duties and responsibilities were production and drilling superintendent and supervised 300 re-completions and new drills in Duval County, Texas. In association with Omega Minerals, Inc., where he was vice president and part owner, he operated 65 wells in 23 counties in South and West Texas: 17 wells in Seminole and Osage Counties, Oklahoma, 44 wells in Neosho and Wilson Counties, Kansas and 125 wells in Brown, Pike, Schuyler and Scott Counties. Illinois. He was president and owner of Major Petroleum Company. He drilled, completed and produced 42 wells in South and West Texas counties. The company was sold. With Tidelands Oil Corporation, his duties included supervising and performing remedial well work, work-overs and economic evaluation of the corporate properties. The primary area of interest was in Maverick County, Texas. He has performed project financing analysis and consulting of refinery acquisitions for the Yemen government.

The officers and directors of the World Environmental Technologies, Inc. and Reliant Drilling are as follows:

Name	Age	Position
Michael Richardson	63	President, CEO, Director

Michael Richardson founded World Environmental Technologies, Inc. ("WET") in 2001. He founded the company to capitalize on business opportunities created by increased environmental governmental regulation in the State of Louisiana. He sought out new technologies which could address environmental remediation of contaminated industrial liquids. Prior to founding WET he was an independent consultant and project manager providing environmental consulting services a variety of corporations.

Compliance with Section 16(a) of the Securities Exchange Act of 1934 Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of the Company's Common Stock, to file with the Securities and Exchange Commission initial reports of beneficial ownership and reports of changes in beneficial ownership of Common Stock of the Company. Officers, directors and greater than 10% shareholders are required by the Securities and Exchange Commission to furnish the Company with copies of all section 16(a) reports they file. Based solely on copies of such forms furnished as provided above, or written representations that no Forms 5 were required, the Company believes that during the fiscal year ended December 31, 2004, all Section 16(a) filing requirements applicable to its executive officers, directors and beneficial owners of more than 10%of its Common Stock were complied with, except as follows: During 2004, Royis Ward, Michael Ward and Michael Richardson each failed to file one Form 5 each, Annual Statement of Beneficial Ownership. During 2004, Michael Richardson failed to file two Forms 4, Statement of Change in Beneficial Ownership regarding two private transfers of his common stock, 1,000,000 shares on January 14, 2004, and 200,000 shares on January 4, 2004. Additionally, he filed five Forms 4 late.

CODE OF ETHICAL CONDUCT.

On May 15, 2003, our board of directors adopted our code of ethical conduct that applies to all of our employees and directors, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions.

We believe the adoption of our Code of Ethical Conduct is consistent with the requirements of the Sarbanes-Oxley Act of 2002.

Our Code of Ethical Conduct is designed to deter wrongdoing and to promote:

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

Full, fair, accurate, timely and understandable disclosure in reports and documents that we file or submit to the Securities & Exchange omission and in other public communications made by us;

Compliance with applicable governmental laws, rules and regulations,

The prompt internal reporting to an appropriate person or persons identified in the code of violations of our Code of Ethical Conduct; and

Accountability for adherence to the Code.

ITEM 10. Executive Compensation

The following sets forth the compensation of the officers of the Company in the year ended December 31, 2004.

Summary Compensation.

The following table sets forth the compensation paid by the Company during fiscal year 2004 to its officers. This information includes the dollar value of base salaries, bonus awards and number of stock options granted, and certain other compensation, if any.

Table 1.

Name and Position	Year	Salary	Bonus	Securities Underlying Options/SARs
Royis Ward Director, President	2004	$120,000(1)	-0-	-0-
Michael Ward Sec/Treas., Director	2004	-0-	-0-	-0-

Notes:
(1) As of December 31, 2004, the cumulative amount of unpaid officer salary was $280,000 and is included in accounts payable and accrued expenses of our financial statements.

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Compensation of Directors

The members of the Board of Directors are not compensated by the Company for acting as such.

ITEM 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth the Common Stock ownership information as of December 31, 2004, with respect to(i) each person known to the Company to be the beneficial owner of more than 5% of the Company's Common Stock; (ii) each director of the Company; and (iii) all directors, executive officers and designated stockholders of the Company as a group. This information as to beneficial ownership was furnished to the Company by or on behalf of the persons named. Unless otherwise indicated, each has sole voting and investment power with respect to the shares beneficially owned. The percentages are based on 37,900,664 shares issued and outstanding as of December 31, 2004.

(a) Beneficial Ownership of more than 5% based on 37,900,664 common shares.

(1)	(2)	(3)	(4)

Title of Class	Name and Address	Amount and Nature	Percent of Class
Common Stock			
Royis Ward(1)(2)	1862 Bitters Rd. San Antonio, TX	6,000,000	15.83%
Michael Ward(1)(2)	5902 Fenway St. Corpus Christi, TX	6,000,000	15.83%
Michael Richardson(2)	950 Birdsong St. Lafayette, LA	2,685,500	7.08%
Gregory M. Wilson	18610 East 32nd Ave. Greenacres, WA 99016	3,200,000	8.44%
Total		17,617,700	46.48%

(b)Security Ownership of Management. Based on 37,900,664 shares as of December 31, 2004.

Table 2.

Title of Class	Name and Address	Amount and Nature	Percent of Class
Michael Ward(1)	1862 W. Bitters Rd. San Antonio, TX	6,000,000	15.83%
Royis Ward(1)	5902 Fenway St. Corpus Christi, TX 78413	6,000,000	15.83%
Michael Richardson(2)	950 Birdsong St. Lafayette, LA	2,685,500	7.08%
Total		14,685,500	%

Directors as a group owned 31.66% of the Company's issued and outstanding stock.

Notes:
------
(1) Directors and Officers
(2) Mike Richardson is an officer and director of World Environmental Technologies, Inc.

ITEM 12. Certain Relationships and Related Transactions

As of December 31, 2004, Royis Ward and Michael Ward have loaned $1,718,609 and $233,199 respectively, to the Company. These amounts represent cumulative advances and the debt bears interest at the rate of 5% per annum. The debt is due on, or before July 10, 2006.

ITEM 13. Exhibits

*3.1	Articles of Incorporation of Sailtech International, Inc., a Nevada corporation, formerly Argonaut Resources, Ltd
*3.2	Articles of Amendment Sailtech International, Inc., formerly Argonaut Resources, Ltd.
*3.3	Articles of Amendment of Sailtech International, Inc. changing name to Ecoloclean Industries, Inc. filed Form 8-K on 12-18-03.
*3.4	Bylaws of Sailtech International, Inc.
21	List of Subsidiaries
31.1	Chief Executive Officer-Section 302 Certification pursuant to Sarbanes- Oxley Act.
31.2	Chief Financial Officer- Section 302 Certification pursuant to Sarbanes- Oxley Act.
32.1	Chief Executive Officer-Section 906 Certification pursuant to Sarbanes- Oxley Act.
32.2	Chief Financial Officer- Section 906 Certification pursuant to Sarbanes- Oxley Act.

* Previously filed.

ITEM 14. Principal Accountant Fees and Services.

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, Baum & Co., P.A. of Coral Springs, Florida.

	Year End 12-31-04	Year End 12-31-03
(1) Audit Fees	$39,530	$31,970
(2) Audit-related Fees	-0-	-0-
(3) Tax Fees	-0-	-0-
(4) All other fees	-0-	-0-
Total Fees	$39,530	$31,970

The Company has no formal audit committee. However, as defined in Sarbanes-Oxley Act of 2002, the entire Board of Directors is the Company's defacto audit committee.

The Company's principal accountant, Baum & Co., P.A. did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) to the Securities Exchange Act of 1934, the Company has duly caused this Form 10-KSB Report for the period ending December 31, 2004 to be signed on its behalf by the undersigned, thereunto duly authorized on this 20th day of April, 2005.

ECOLOCLEAN INDUSTRIES, INC.

BY: /s/ Royis Ward

Royis Ward, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Date: April 20, 2005

/s/ Royis Ward

Royis Ward, President, Director

/s/ Michael Ward

Michael Ward, Secretary/Treasurer, Director

ECOLOCLEAN INDUSTRIES, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

ECOLOCLEAN INDUSTRIES, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

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BAUM & COMPANY, P.A.
1515 UNIVERSITY DRIVE, SUITE 209
CORAL SPRINGS, FLORIDA 33071

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ecoloclean Industries, Inc.
2242 S. Highway 83
Crystal City, TX 78839

We have audited the accompanying consolidated balance sheets of Ecoloclean Industries, Inc. as of December 31, 2004 and 2003 and the related consolidated statements of stockholders' (deficit), operations, and cash flows for the years ended December 31, 2004 and 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ecoloclean Industries, Inc. as of December 31, 2004 and 2003 and the results of their consolidated operations and their consolidated cash flows for the years ended December 31, 2004 and 2003 in conformity with accounting principles generally accepted in the United States of America.

Baum & Company, P.A.
Coral Springs, Florida
April 14, 2005

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ECOLOCLEAN INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2004	December 31, 2003
Current Assets:		
Cash	$ 5,929	$ 2,532
Accounts Receivable	153,987	77,037
Prepaid Expenses	72,294	19,616
Total Current Assets	232,210	99,185
Property, Plant and Equipment, (Net) (Notes 1,3)	858,692	425,718
Other Assets:		
Deposits	12,970	200
License and Trademark Costs (Net) (Notes 1,2)	80,434	20,528
Intangible Assets	33,585	33,585
Total Other Assets	126,989	54,313
Total Assets	$ 1,217,891	$ 579,216

LIABILITIES AND STOCKHOLDERS' (DEFICIT)

	December 31, 2004	December 31, 2003
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 1,055,720	$ 488,823
Notes and Loans Payable - Current Portion	260,461	27,414
Total Current Liabilities	1,316,181	516,237
Long-Term Debt (Note 4)	9,661	--

Due to Related Parties (Note 5)	1,941,808	775,369
Total Liabilities	3,267,650	1,291,606
Commitments and Contingencies	--	--
Stockholders' (Deficit)		
Preferred Stock, $0.001 par value per share, 10,000,000 shares, authorized 0 shares issued and outstanding	--	--
Common Stock, $0.0001 par value per share, 100,000,000 shares authorized, 37,900,664 and 32,500,664 shares issued and outstanding at 2004 and 2003 respectively	3,790	3,250
Additional Paid-in Capital	1,591,731	190,558
Accumulated (Deficit)	(3,645,280)	(906,198)
Total Stockholders' (Deficit)	(2,049,759)	(712,390)
Total Liabilities and Stockholders' (Deficit)	$ 1,217,891	$ 579,216

See Accompanying Notes to Consolidated Financial Statements

ECOLOCLEAN INDUSTRIES, INC.
STATEMENTS OF CONSOLIDATED STOCKHOLDERS' (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Common Stock Shares Issued	Amount	Additional Paid-In Capital	Stock Subscription Receivable
Balance - December 31, 2002	500,000	$ 500	$ 49,500	$ (10,000)
Reverse Merger Transaction:				
Shares Outstanding	10,092,435	10,092	--	--
Exchange				
Existing Shares	(500,000)	(500)	(49,500)	--
New Issuances	20,000,000	20,000	--	--
Net Deficit at Time of Reverse Merger	--	--	(103,558)	--
Collection of Stock Subscription	--	--	--	10,000
Stock Issuances:				
Sale of Common Stock	357,140	357	24,643	--

For Payment of Accounts Payable	326,089	327	81,947	--	
For Services And Compensation	1,725,000	1,725	152,275	--	
Shareholder Assumption Of Liability	--	--	6,000	--	
Recapitalization of Par Value	--	(29,251)	29,251	--	
Net (Loss) For The Period	--	--	--	--	
Balance December 31, 2003	32,500,664	$ 3,250	$ 190,558	$ 0	$
Stock Issuances					
Sale of Common Stock	1,000,000	100	499,900	--	
For Services and Compensation	4,400,000	440	901,273	--	
Net Loss For The Period	--	--	--	--	
Balance December 31, 2004	37,900,664	$ 3,790	$ 1,591,731	$ 0	$

See Accompanying Notes to Consolidated Financial Statements

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ECOLOCLEAN INDUSTRIES, INC.
STATEMENTS OF CONSOLIDATED OPERATIONS

	For Year Ended December 31, 2004	For Year Ended December 31, 2003
Revenues	$ 921,810	$ 329,845
Expenses:		
Cost of Sales	617,112	169,917
Operating Expenses	529,870	151,798
Depreciation & Amortization	144,549	41,692
Interest	99,318	34,251
Officer's Salary	120,000	120,000
Selling, General and Administrative	2,150,043	606,610
Total Expenses	3,660,892	1,124,268
Net (Loss)	$ (2,739,082)	$ (794,423)

Net (Loss) Per Common Share Basic and Diluted	$ (0.08)	$ (0.03)
Weighted Average Number of Common Shares Outstanding	35,200,664	31,296,350

See Accompanying Notes to Consolidated Financial Statements

ECOLOCLEAN INDUSTRIES, INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS

	For Year Ended December 31, 2004	For Year Ended December 31, 2003
Cash Flows Provided (Required) By Operating Activities:		
Net (Loss)	$ (2,739,082)	$ (794,423)
Adjustments to Reconcile Net (Loss) to Net Cash Provided (Required) By Operating Activities:		
Depreciation and Amortization	144,549	41,692
Issuance of Common Stock For Services Provided	901,713	154,000
Officer's Salary Accrual	120,000	120,000
Cash Effects of Changes, Net of Effects From Acquired Company:		
Accounts Receivable	(76,950)	(48,367)
Prepaid Expenses	(52,678)	(4,843)
Deposits	(12,770)	(200)
Accounts Payable and Accrued Expenses	446,897	238,634
Customer Deposits	0	(65,000)
Net Cash (Required) by Operating Activities	(1,268,321)	(358,507)
Cash Flows (Required) By Investing Activities:		

Acquisition of Licenses and Trademark Costs	(65,505)	0
Purchases of Property, Plant and Equipment Net of Effects From Acquired Company	--	
Purchases of Property, Plant and Equipment	(571,924)	(331,006)
Net Cash (Required) By Investing Activities	(637,429)	(331,006)
Cash Flows Provided (Required) By Financing Activities:		
Proceeds From Collection of Stockholder Subscriptions	0	10,000
Note Payable Paid by Stockholder	0	6,000
Proceeds From Issuance of Common Stock	500,000	25,000
Proceeds (Payments) of Notes and Loans Payable	242,708	(6,433)
Repayment of Loans From Related Parties	0	(30,891)
Proceeds of Loans From Related Parties	1,166,439	687,665
Net Cash Provided by Financing Activities	1,909,147	691,341
Net Increase in Cash	3,397	1,828
Cash at Beginning of Period	2,532	704
Cash at End of Period	$ 5,929	$ 2,532

See Accompanying Notes to Consolidated Financial Statements

ECOLOCLEAN INDUSTRIES, INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS

(CONTINUED)

	For Year Ended December 31, 2004	For Year Ended December 31, 2003
Supplemental Disclosures of Cash Flow Information		
Cash Payments for Interest	$ 18,826	$ 9,459
Cash Payments for Income Taxes	$ 0	$ 0
Non-Cash Financing Activities:		
Issuance of Common Stock:		

Operating Activities	$ 901,713	$ 154,000
Payment of Accounts Payable	0	82,274
Total Non-Cash Financing Activities	$ 901,713	$ 236,274

See Accompanying Notes to Consolidated Financial Statements

ECOLOCLEAN INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding these consolidated financial statements. The consolidated financial statements and notes are representations of management who are responsible for their integrity and objectivity. The accounting policies used conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these consolidated financial statements.

Organization

On June 11, 2002, Ecoloclean, Inc., the Company, incorporated in the state of Texas. On September 1, 2002 the Company acquired all of the outstanding shares of World Environmental Technologies, Inc. (WET). On January 14, 2003 the Company completed a reverse acquisition with Sailtech International, Inc. and the Company changed its name to Ecoloclean Industries, Inc. In addition to owning all of the outstanding shares of WET, the company also owns all of the outstanding shares of Reliant Drilling Systems, Inc. and Ecoloclean of Texas, Inc. (See Note 9 - Subsequent Events).

Business

The Company and its subsidiaries operate under a worldwide, industry exclusive and perpetual license to manufacture machines, pursuant to a patent, for the treatment of contaminated water through a process known as electrocoagulation. The industry exclusivity applies to the petroleum exploration, petroleum, chemical, transportation and refining industries.

The Company also provides environmental clean-up services to industrial customers and solids handling services to oil and gas drilling contractors.

In addition, the Company expects to offer various models of the "Coale Separator", described in Note 2 below, beginning in the first quarter of 2005.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material inter-company items and transactions have been eliminated.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The Company has adopted Statement of Financial Accounting Standards No. 107 "Disclosures About Fair Value of Financial Instruments", which requires the disclosures of the fair value of off-and-on balance sheet financial instruments. Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes), approximate the carrying values of such amounts.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to use estimates and make judgments. While management has considered all available information, actual amounts could differ from those reported as assets, liabilities, related revenues, costs and expenses and the disclosed amounts of contingencies.

Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost. Depreciation of property, plant and equipment is provided on the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations. Additions and betterments, which extend the useful lives of the assets are capitalized. Upon retirement or disposal of the property, plant and equipment, the cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in operations.

Goodwill and Purchased Intangible Assets

Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142") requires goodwill to be tested for impairment, on an annual basis and between annual tests in certain circumstances, and written down when impaired, rather than being amortized as previous accounting standards required. Furthermore, SFAS 142 requires purchased intangible assets other than goodwill to be amortized over their useful lives unless these lives are determined to be indefinite.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill and Purchased Intangible Assets (Continued)

Based upon the impairment tests performed, there was no impairment of goodwill for the year ended December 31, 2004. There can be no assurance that future goodwill impairment tests will not result in a charge to earnings.

Purchased intangible asset (The "License Agreement") is carried at cost less accumulated amortization. Amortization is computed over the estimated economic useful life of the underlying patent of five years.

Long-Lived Assets

Statement of Financial Accounting Standards 144 (SFAS 144) "Accounting for the Impairment or Disposal of Long-Lived Assets" requires that long-lived assets to be held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset, and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

The requirements of SFAS 144 and the evaluation by the Company did not have a significant effect on the consolidated financial position or results of consolidated operations.

Revenue Recognition

The Company recognizes revenue on service contracts ratably over applicable contract periods or as services are performed. Amounts billed and collected before the services are performed are included in deferred revenues. Amounts collected but not billed, before the services are performed, are included in customer deposits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going Concern

The accompanying audited consolidated financial statements have been prepared on a going concern basis, which anticipates the realization of assets and the liquidation of liabilities during the normal course of operations. However, as shown in these consolidated financial statements, the Company during the year ended December 31, 2004, incurred a net loss of $2,739,082, and as of that date, the Company's total liabilities exceeded its total assets by $2,049,759. In addition, the Company in its short history (incorporated in 2002) has an accumulated deficit of $3,645,280. These factors raise doubt about the Company's ability to continue as a going concern if changes in operations are not forthcoming. Management, in the first quarter of 2005 (see Note 9 - Subsequent Events), has taken a position that by discontinuing operations in certain of its wholly-owned subsidiaries, and concentrating its efforts on more productive resources, the Company will achieve more favorable operating results. The Company's ability to continue as a going concern will depend on management's ability to successfully implement a business plan which will increase revenues, control costs, and obtain additional forms of debt and/or equity financing. These financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards 109 ("SFAS 109"), "Accounting for Income Taxes," which requires the establishment of a deferred tax asset or liability for the recognition of future deductions or taxable amounts and operating loss carryforwards. Deferred tax expense or benefit is recognized as a result of the change in the deferred asset or liability during the year. If necessary, the Company will establish a valuation allowance to reduce any deferred tax asset to an amount which will, more likely than not, be realized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net (Loss) Per Common Share

The Company accounts for earnings (losses) per share in accordance with Statement of Financial Accounting Standard 128 ("SFAS 128") "Earnings per Share". Basic earnings (losses) per share is based upon the net earnings (losses) applicable to common shares after preferred dividend requirements and upon the weighted average number of common shares outstanding during the period. Diluted earnings (losses) per share reflects the effect of the assumed conversions of convertible securities and exercise of stock options only in the periods in which such affect would have been dilutive. Basic and diluted net loss per common share are the same since (a) the Company has reflected net losses from continuing operations for all periods presented and (b) the potential common shares of the Company would be anti-dilutive.

Concentrations

The Company receives certain of its components from sole suppliers. Additionally, the Company relies on a limited number of contract manufacturers and suppliers to provide manufacturing services for its products. The inability of any contract manufacturer or supplier to fulfill supply requirements of the Company could materially impact future operating results.

NOTE 2 - LICENSE AND TRADE MARK COSTS

The Company acquired an industry exclusive, perpetual worldwide license to commercialize the inventions on patents and market, manufacture, sell, lease and, or utilize, for processing electrocoagulation units for the treatment of effluent water. Royalties are $3,000 per unit manufactured and 2% of gross processing revenues. License costs are being amortized over 5 years.

During 2005, the Company obtained the worldwide exclusive rights for the patented Coale Separator which supercedes a previously announced general revenue sharing agreement with the licensors.

ECOLOCLEAN INDUSTRIES, INC.
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NOTE 2 - LICENSE AND TRADE MARK COSTS (CONTINUED)

The new license agreement and international marketing rights will allow Ecoloclean the opportunity to market, manufacture, install and commercialize the inventions and to operate and use such process apparatus, machinery and devices to remove contaminants from fuels used in combustion engines, using fewer than five (5) gallons of fuel per minute. The exclusive rights granted under this superceding agreement will apply to industries that use combustion engines and are inclusive of two patents currently in place and any future related patents, improvements or applications. This acquisition will be developed and marketed under Ecoloclean's World Environmental Technologies, Inc. subsidiary.

The license agreement and a related consulting agreement require a $50,000 one-time license fee and the issuance of 50,000 shares of restricted common stock of Ecoloclean Industries, Inc. which was valued at $12,000 and issued in 2005 after approval in 2004.

The Company incurred trademark application costs of $3,505 regarding various product names for the Coale Separator.

A summary of license and trademark costs at December 31, 2004 and 2003 is as follows:

	December 31, 2004	December 31, 2003
License Costs Electro Coagulation Technology (Net)	$ 14,929	$ 20,528
License Costs - Coale Separator	62,000	0
Trademark Costs - Coale	3,505	0
	$ 80,434	$ 20,528

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NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment at December 31, 2004 and December 31, 2003 is as follows:

	December 31, 2004	December 31, 2003	Estimted Economic Life
Land	$ 80,000	$ 80,000	N/A
Warehouse	34,120	29,726	40 Years
Electro Coagulation Units	239,237	184,358	5 Years
Machinery & Equipment	619,630	137,996	5 Years
Office Equipment	8,789	2,911	5 Years
Computers & Related Equipment	15,640	7,236	5 Years
Transportation Equipment	42,448	25,713	5 Years
Total	1,039,864	467,940	
Less Accumulated Depreciation	181,172	42,222	
Net Property, Plant & Equipment	$ 858,692	$ 425,718	

Depreciation expense for the years ended December 31, 2004 and December 31, 2003 amounted to $138,950 and $36,093 respectively.

NOTE 4 - LONG-TERM DEBT

A summary of notes and loans payable at December 31, 2004 and 2003 are as follows:

	December 31, 2004	December 31, 2003
Note Payable, unsecured, 10% Interest Bearing, Maturing April 6, 2005 (Note extended to October 6, 2005)	$ 150,000	$ 0
Loan Payable, Unsecured, Non Interest Bearing		

Payable on Demand	15,108	0
Notes Payable, Secured Interest Bearing Factoring Line of Credit (See Note Below)	89,252	27,414
Note Payable, Secured by a Truck, 14% Interest Bearing, Maturing July 22, 2007	15,762	0
	270,122	27,414
Less Current Maturities	260,461	27,414
Total Long-Term Debt	$ 9,661	$ 0

ECOLOCLEAN INDUSTRIES, INC.
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NOTE 4 - LONG-TERM DEBT (CONTINUED)

Note: The Company has entered into an agreement to factor certain accounts receivable. Under this agreement, the Company may receive up to seventy percent of the account balance at an interest rate of 2% the first month and 1% per month on the outstanding factored invoice thereafter until payment is received.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Board of Directors has approved a salary for services provided. At December 31, 2004 the cumulative amount of unpaid officer's salary was $280,000 and is included in accounts payable and accrued expenses.

At December 31, 2004 cumulative advances bearing interest at 5% per annum Due to officers of the Company amounted to $1,941,808 plus $97,130 accrued interest. The accrued interest is included in accounts payable and accrued expenses. The advances are due July 10, 2006 with the right of prepayment.

NOTE 6 - INCOME TAXES

The Company files a consolidated federal income tax return. At December 31, 2004, the Company had a net operating loss carryforward of approximately $3,345,187 available to offset future federal taxable income through 2024. The components of the deferred tax assets and liabilities accounts at December 31, 2004 are as follows:

Total Deferred Tax Assets	$ 1,137,364
Less: Valuation Allowance	1,137,364
Deferred Tax Asset (Liability)	$ 0

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NOTE 7 - COMMON STOCK TRANSACTIONS

On January 2, 2004, the Company approved the issuance of 100,000 shares of restricted common stock for consulting services valued at $50,000. These shares were issued March 15, 2004.

On April 14, 2004, the Company issued 100,000 shares of its restricted common stock for investor and public relations services valued at $44,000.

NOTE 7 - COMMON STOCK TRANSACTIONS (CONTINUED)

On April 15, 2004, the Company issued 500,000 shares of its restricted common stock for consulting services valued at $212,000.

On June 15, 2004, The Company issued 350,000 shares of its restricted common stock for consulting services valued at $108,500.

On June 22, 2004, the Company approved the issuance of 800,000 shares of its restricted common stock valued at $176,000 and 200,000 shares under its 2004 Stock Grant and Option Plan valued at $110,000 for legal services.

On June 30, 2004, the Company issued 1,000,000 shares of its restricted common stock for $500,000.

On June 30, 2004, the Company issued 500,000 shares of its restricted common stock valued at $130,000 for services regarding the private placement of the Company's common stock.

On August 1, 2004, the Company issued 25,000 shares of its restricted common stock for an employee stock bonus valued at $4,214.

On September 7, 2004, the Company issued 500,000 shares of its restricted common stock for consulting services valued at $73,125.

On September 22, 2004, the Company issued 1,000,000 shares of its restricted common stock for legal services valued at $77,500.

On October 18, 2004, the Company issued 150,000 shares of its restricted common stock valued at $15,000 regarding a $150,000 six-month loan.

On October 27, 2004, the Company issued 25,000 shares of its restricted common stock valued at $5,625 to each of four employees as stock bonuses.

On November 3, 2004, the Company issued 25,000 shares of its restricted common stock valued at $4,375 to an employee as a stock bonus.

On December 29, 2004, the Company issued 25,000 shares of its restricted common stock valued at $2,250 to each of two employees as a stock bonus.

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NOTE 8 - STOCK PLAN

On July 8, 2004, the Company adopted the 2004 Non-Qualified Stock Grant and Option Plan. The Plan was registered with the Securities and Exchange Commission on Form S-8 on July 23, 2004. The Plan is administered by the Company's Board of Directors. The Plan provides for the issuance of common stock, warrants and options in payment for services. Eligible participants are as follows: Directors, Officers, Employees, Consultants, Attorneys and Others. There are 5,000,000 shares reserved under the Plan and as at December 31, 2004, there remains 4,800,000 shares available for future issuance.

NOTE 9 - SUBSEQUENT EVENTS

During the first quarter of 2005, Reliant Drilling Systems, Inc., a wholly-owned subsidiary of the Company, which had been engaged in providing solids control services for oil and gas drillers and producers, began to sell certain of its equipment assets in order to implement its decision to no longer offer these services. For the year ended December 31, 2004, this wholly-owned subsidiary had revenues of $718,025 with a reported loss of $280,091.

Also, during the first quarter of 2005, Ecoloclean of Texas, Inc. another wholly-owned subsidiary of the Company, which had been engaged in providing enviro cleanup services to industrial customers, executed a letter of intent to sell its equipment assets and customer contracts in accordance with its decision to no longer offer its services. For the year ended December 31, 2004, this wholly-owned subsidiary had revenues of $132,668 with a reported loss of $285,651.